

GILLESPIE FIELD DEVELOPMENT COUNCIL
September 18, 2012

AGENDA ITEM #7

Proposed New Industrial Leases with Duane D. Harker Family Trust
Gillespie Field Industrial Park

The County developed 34 industrial lots and associated infrastructure East of Cuyamaca and North of Bradley (Gillespie Field Industrial Park Unit No. 1) in the late 1970's. Like Cuyamaca West 1 and 2, these Gillespie Field Industrial Park leases of airport-owned land, which were released by the FAA for non-aeronautical use, provide revenue to support the County Airports System while providing economic benefits and jobs to the surrounding community. The FAA approval for non-aeronautical use is only possible for land that is not suitable for aeronautical use, for example, in this case due to the flood control channel and Marshall Ave. being between the lots and the airport taxiway.

In December of 1978 and April of 1979, the initial 55 year leases were issued for 1954 Friendship Dr. and 1922 Friendship Dr., respectively. Both leases changed hands one time only, with the Harker's acquiring 1922 Friendship Dr. in 1984 and 1954 Friendship Dr. in 1990. Duane D. Harker Family Trust currently leases Lot 10 of Block 2 (County Contract No. 13723R) and Lot 11 of Block 2 (County Contract No. 14032R). These 55-year leases commenced on January 1, 1979 and May 1, 1979. The current termination dates are December 31, 2033 and on April 30, 2034. The leaseholds are improved with concrete tilt-up buildings that accommodate light industrial and office uses.

Proposed New Leases

Both leases are being superceded with new leases which will extend the terms by ten (10) years each. The new leases incorporate the existing Rental clauses with the County's updated industrial lease document which includes all the current updated language approved by County Counsel. As is standard Gillespie Field Industrial Park leases, such as these, provide for periodic rental adjustments known as cost of living adjustments on a five year cycle. Terms for the new leases are as follows:

**PROPOSED NEW INDUSTRIAL LEASE 1 FOR DUANE D. HARKER FAMILY TRUST
(NEW LEASE SHALL SUPERSEDE CONTRACT NO. 13723R)**

Parcel – The size of the premises remains approximately 1.25 gross acres and 1.08 net acres.

Term – The new lease will have a term of 31 years, commencing on January 1, 2013 and terminating on December 31, 2043.

Rent – The initial base monthly rent of \$5,225.68 will be effective from January 1, 2013 through December 31, 2013, and then adjusted, as before, based on the

designated ILV index on 1/1/2014. The rent will be based on the same rent schedule as in the current lease and other leases in GFIP.

Equity – Lessee will pay to County an equity payment of \$38,223.86, for the postponement of the County's reversionary interest in leasehold improvements by an additional ten years.

Required Improvements – The new lease commits the lessee to make a minimum \$38,251 capital investment. Recently lessee made \$38,251 in capital improvements to the leasehold including expanding onsite paved parking and upgraded landscaping and irrigation. County acknowledges that the value of these capital improvements satisfies the minimum capital improvements requirement.

**PROPOSED NEW INDUSTRIAL LEASE 2 FOR DUANE D. HARKER FAMILY TRUST
(NEW LEASE SHALL SUPERSEDE CONTRACT NO. 14032R)**

Parcel – The size of the premises remains approximately 1.23 net acres.

Term – The new lease will have a term of 31 years 4 months, commencing on January 1, 2013 and terminating on April 30, 2044.

Rent – The initial base monthly rent of \$5,951.47 will be effective from January 1, 2013 through December 31, 2013, and then adjusted, as before, based on the designated ILV index on 1/1/2014. The rent will be based on the same rent schedule as in the current lease and other leases in GFIP.

Equity – Lessee will pay to County an equity payment of \$49,343.48, for the postponement of the County's reversionary interest in leasehold improvements by an additional ten years.

Required Improvements – The new lease commits the lessee to make a minimum \$25,563 additional capital investment. Recently lessee had made \$25,563 in capital improvements to the leasehold including a new energy efficient roof and skylights. County acknowledges that the value of the capital improvements satisfies the minimum capital improvements requirement.

RECOMMENDED MOTION

“Gillespie Field Development Council recommends the Board of Supervisors approve the New Industrial Lease Agreements between the County of San Diego and Duane D. Harker Family Trust, as recommended by staff.”